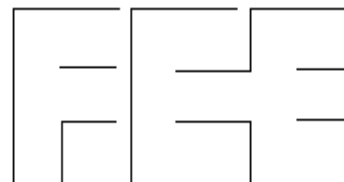


Date
30 July 2004

Le Président

Fédération
des Experts
Comptables
Européens
AISBL

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Mr. Fabrice Demarigny
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The Committee of European Securities Regulators
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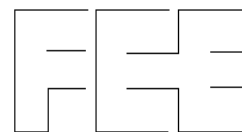
Dear Mr. Demarigny,

Call for Evidence, Mandate to CESR for Technical Advice on Possible Implementing Measures Concerning the Transparency Directive

1. FEE (Federation of European Accountants, Fédération des Experts Comptables Européens) welcomes the opportunity to provide our preliminary views on the call for evidence concerning the Transparency Directive. We would welcome a more detailed discussion of our ideas and concerns. Members of our Capital Markets Advisory Group and Auditing Working Party would be willing to be involved in expert discussions.
2. Our comments focus on Section 3.3.2 on half-yearly reports; clarification of the nature of the auditors' review; minimum content; and clarification of "major related parties transactions".

Auditors' review

3. The review of half-yearly financial reports enhances the quality of the financial statements and the annual audit since discussion of important issues takes place at an earlier stage. It helps to avoid the risk of restatements in the annual financial statements after half-yearly financial reports are issued.
4. The proposal of the Eighth Directive indicates that all statutory audits prescribed by Community Law should be carried out in accordance with International Standards of Auditing (ISAs). FEE has welcomed the proposal that ISAs should be applicable in Europe. In the spirit of the Eighth Directive and in view of globalisation of capital markets, the auditors' review needs to be defined in terms of international auditing standards. The relevant standard is International Standard on Review Engagements 2400, "Engagements to Review Financial Statements" (previously ISA 910). ISRE 2400 clearly defines the scope and the nature of a review. In addition, IAASB is working on an international standard on auditing "Review of Interim Financial Information Performed by the Auditor of the Entity" on which an exposure draft was issued in June 2003. CESR should encourage the International Auditing and Assurance Standards Board (IAASB) to give priority to the development of this standard.
5. We are strongly of the opinion that separate European standards or requirements on a review would neither be necessary nor appropriate and would undermine the goal of globalisation of



capital markets. CESR Standards No. 1 and 2 on Enforcement clearly recognise that CESR is not an accounting standard setter and should not be involved in standard setting. We firmly believe that the same should apply to audit standard setting.

6. If the European Commission, nevertheless, wishes to address this issue in the implementing measures, it should restrict itself to clarifying the objective of a review by using the definition of ISRE 2400.3 and by requiring that any auditor's review has to be performed in accordance with ISRE 2400. The objective of a review is defined in ISRE 2400.3 as follows:

"The objective of a review of financial statements is to enable an auditor to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the auditors attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with an identified financial reporting framework (negative assurance)."

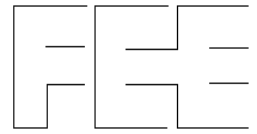
. It should be noted that the IAASB is currently working towards re-exposing an ISA regarding "Review of Interim Financial Information" which, once finally issued, might need to be considered as well in clarifying the objective of a review.

Minimum content of half-yearly reports

7. Whilst FEE would prefer a requirement for IFRS to be applied rather than detailed legislation in this area, we note that the European Commission's mandate to CESR invites advice on the minimum content of the condensed balance sheet, profit and loss and explanatory notes if these accounts are not prepared in accordance with IFRS. If the EU wants to prescribe the minimum content and level of detail of the condensed set of financial statements, it might follow, in principle, the essence of IAS 34. This might mean that:
 - The condensed balance sheet and the condensed profit and loss account would include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements (analogous to IAS 34.10), and
 - The explanatory notes shall contain "an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last reporting date", as required by IAS 34.15, excluding any information linked to the equity statement, the cash-flow statement or segment reporting (as those statements are not part of the minimum content of the condensed set of financial statements required in Article 5 of the Directive).

Related party transactions

8. In clarifying the meaning of the term "major related parties transactions" which shall be reported on in the interim management report (Article 5 (3a) of the Directive) the European Commission should refrain from developing its own definitions. Instead, the Commission should refer to IAS 24 "Related Party Disclosures" which already provides appropriate definitions for related parties and for related party transactions. This would also be consistent with the approach taken by CESR in its recommendations for the consistent implementation of the EC's Regulation on Prospectuses n° 809/2004 of June 2004 where (in paragraph 240) CESR suggests it is appropriate to follow IFRS on related party transactions.



9. We note that the call for evidence refers to "major" related party transactions, a term different from "material".

We would be pleased to discuss with you any aspect of this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'. The signature is fluid and cursive, with a large initial 'D'.

David Devlin
President